

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 XMB-02 AID-05 CEA-01 CIAE-00
COME-00 EB-08 EA-10 FRB-03 INR-10 IO-13 NEA-11
NSAE-00 OPIC-03 SP-02 TRSE-00 LAB-04 SIL-01
AGRE-00 OMB-01 SS-15 SSO-00 INRE-00 ICAE-00
NSCE-00 L-03 /105 W
-----028285 051818Z /64

O R 051739Z MAY 78
FM AMEMBASSY PARIS
TO SECSTATE WASHDC IMMEDIATE 1087
INFO AMEMBASSY ANKARA
AMEMBASSY BONN
AMEMBASSY LONDON

C O N F I D E N T I A L SECTION 01 OF 02 AMEMBASSY PARIS 14468

USOECD

E.O. 11652: GDS
TAGS: EFIN, EAID, OECD, TU
SUBJECT: TURKISH DEBT RESCHEDULING: FURTHER CONTACTS
BETWEEN OECD SECRETARIAT AND TURKISH OFFICIALS

REF: A) STATE 110268, B) STATE 110526, C) STATE 110866

1. OECD DEPUTY SECRETARY-GENERAL WOOTTON, ACCOMPANIED
BY TURKISH CONSORTIUM CHAIRMAN GIEL AND CONSORTIUM
SECRETARY KUEHN, MET WITH TURKISH FINANCE MINISTER
MUEZZINOGLU AND MRS. OYMEN OF TURKISH FINANCE MINISTRY
IN FRANKFURT ON MAY 4. THE FOLLOWING PARAGRAPHS ARE
BASED ON ORAL REPORT WOOTTON GAVE TO MISSION ON THE
MEETING.

2. MUEZZINOGLU FIRST RAN DOWN HIS DISSATISFACTION
WITH RESULTS OF INFORMAL CONSORTIUM MEETING ON APRIL 28
(REFTEL C) ALONG THE LINES OF HIS COMPLAINT TO UNDER
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SECRETARY COOPER IN MEXICO CITY (REFTEL B). WOOTTON
EXPLAINED THE VARIOUS POLICY REASONS FOR
THE STAND OF THE MAJORITY OF THE CREDITOR COUNTRIES
AS EXPRESSED AT THE APRIL 28TH MEETING, INCLUDING
"FEATURES" OF ACUTE DEBT PROBLEM SITUATIONS AS
REFLECTED IN DEVELOPED COUNTRY POSITIONS AT UNCTAD TAB.
WOOTTON'S IMPRESSION IS THAT AT THE END OF THE

CONVERSATION MUEZZINOGLU SEEMED TO SHOW A SOFTENING OF HIS INITIAL POSITION ON THE PROCEDURAL ASPECTS OF RESCHEDULING. WHILE MUEZZINOGLU MADE NO PROMISES, HE SAID THAT HE WOULD DO SOME MORE "REFLECTING" ON THE PROCEDURES. WOOTTON BELIEVES THAT MUEZZINOGLU MIGHT BE WILLING TO SETTLE ON A FORMAT WHICH, TAKING TEXT OF DRAFT MANDATE, AS REPORTED IN PARAGRAPH 8 OF REFTEL C, A) WOULD USE THE TERM "WORKING GROUP" OF CONSORTIUM ON TURKISH FOREIGN DEBT, RATHER THAN "AD HOC GROUP", AND B) DELETE, OR AT LEAST SOFTEN, LAST PHRASE OF TEXT REGARDING "ESTABLISHED CREDITOR CLUB PROCEDURES".

3. ON QUESTION OF CHAIRMANSHIP OF DEBT RESCHEDULING GROUP, WOOTTON IS UNDER IMPRESSION THAT MUEZZINOGLU MAY TRY TO BE IN FURTHER CONTACT WITH GERMANS AND FRENCH TO SEE WHETHER CHAIRMANSHIP BY GERMAN MIGHT STILL BE ARRANGED. BARRING SUCCESS IN SUCH ENDEAVOR, MUEZZINOGLU IS LIKELY IN THE END TO GO ALONG WITH FRENCH CHAIRMANSHIP. ON SUBSTANCE OF DEBT RESCHEDULING, MUEZZINOGLU REMAINS VERY ADAMANT THAT RESCHEDULING OF OFFICIAL AND OFFICIALLY-GUARANTEED DEBT SHOULD FOLLOW PATTERN OF PRIVATE DEBT RESCHEDULING, NAMELY THAT A) ALL DEBT FALLING DUE SHOULD BE RESCHEDULED; NOT JUST THE FIRST PHASE OF RESCHEDULING COVERING 1978 AND POSSIBLY 1979, B) 3 YEARS GRACE, AND C) 4-YEAR REPAYMENT FOLLOWING GRACE PERIOD.
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MUEZZINOGLU ARGUES THAT WHILE HE TAKES THE POINT OF THE OFFICIAL CREDITORS THAT OFFICIAL RESCHEDULING SHOULD

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NOT PROVIDE RESOURCES TO PAY OFF PRIVATE DEBT, THE SAME PRINCIPLE SHOULD APPLY TO THE PRIVATE CREDITORS VIS-A-VIS THE OFFICIAL CREDITORS. WOOTTON NOTES THAT WHILE PRIVATE DEBT THAT IS SUBJECT OF RESCHEDULING STRETCHES INTO 1986, THE BULK OF THE DEBT IS DUE OVER THE THREE YEARS 1978/79/80. THUS HE BELIEVES IT IS LIKELY THAT WHAT MUEZZINOGLU HAS IN MIND IS TO REQUEST RESCHEDULING OF OFFICIAL DEBT FOR ALL OF THIS SAME THREE-YEAR PERIOD. WOOTTON MENTIONED IN ADDITION THAT THE TURKS WANT TO INCLUDE ALL LONG-TERM DEBT (I.E. DEBT ON CONCESSIONAL TERMS) IN THE OVERALL PACKAGE OF RESCHEDULING OFFICIAL AND OFFICIALLY GUARANTEED DEBT ON THE SAME TERMS AS RESCHEDULING OF PRIVATE DEBT.

4. MUEZZINOGLU LEFT OPEN IDEA OF INVITING WOOTTON, GIEL AND KUEHN, TOGETHER WITH PROSPECTIVE CHAIRMAN OF DEBT RESCHEDULING GROUP, TO ANKARA PRIOR TO CONSORTIUM CONFIDENTIAL

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MEETING ON MAY 17 IN ORDER TO DISCUSS SUBSTANTIVE DETAILS OF DEBT RESCHEDULING IN GREATER DEPTH. PRESUMABLY THIS TRIP THEN DEPENDS ON FINAL OUTCOME OF CHAIRMANSHIP ISSUE MENTIONED IN PARAGRAPH 3 ABOVE. FINALLY, WOOTTON REPORTS THAT MUEZZINOGLU INDICATED TURKS WERE PREPARED TO COME TO MAY 17 CONSORTIUM MEETING. MUEZZINOGLU HIMSELF HOPES TO ATTEND. SALZMAN

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